

STATE FINANCE COMMITTEE  
OLYMPIA, WASHINGTON

May 13, 2003

The State Finance Committee met in a special meeting after notice duly given to the press and radio of Thurston County.

Present: Michael J. Murphy, State Treasurer  
Brad Owen, Lieutenant Governor

Also Present: Allan J. Martin, Office of the State Treasurer  
Tom Morrill, Office of the Attorney General  
Darlene DeRose, Montague DeRose & Associates  
Susan Musselman, Susan D. Musselman, Inc.  
Nancy Adams, Office of the State Treasurer  
Dean Torkelson, Seattle-Northwest Securities  
Kristi Wolgamot, Office of the State Treasurer  
Bill Tonkin, Foster Pepper & Shefelman, PLLC.  
Shad Pruitt, Office of the State Treasurer  
Svein Braseth, Office of the State Treasurer  
Christine Pihl, Seattle-Northwest Securities  
Rodney Wendt, Orrick, Herrington & Sutcliffe  
Mingzhu Yin, Orrick, Herrington & Sutcliffe LLC  
Chia Yang, Montague DeRose & Associates  
Rich Struna, Transportation Improvement Board  
Steve Gorcester, Transportation Improvement Board  
Amy Arnis, Department of Transportation  
Rich Ybarra, Department of Transportation  
Jeff Caldwell, Department of Transportation  
Rob Shelley, Seattle-Northwest Securities  
Sue Melvin, Office of the State Treasurer  
Pam Johnson, Office of the State Treasurer  
Bill Starkey, Seattle-Northwest Securities  
Suzanne Coit, Office of the State Treasurer  
Nancy Notter, Office of the State Treasurer  
Mike Roberts, Office of Financial Management  
Vicki Cox, Office of the State Treasurer

Chairman Murphy called the meeting to order.

Lieutenant Governor Owen moved the minutes for the January 22, 2003 meeting be approved. Treasurer Murphy seconded the motion. The motion passed and the minutes were adopted.

Mr. Martin said Resolution No. 975 accepts the bids for the purchase of State of Washington Various Purpose General Obligation Refunding Bonds, Series R-2003C, in the aggregate principal amount of \$79,025,000, more or less, as authorized by Chapters 39.42 and 39.53 RCW and Resolution No. 945 of the Committee. The Series R-2003C Bonds are tax-exempt current interest refunding bonds and were sold competitively. The interest will be paid semi-annually on the outstanding principal. Mr. Torkelson said the savings is over 8% present value basis which is well over the 5% savings required by the Committee which translates into \$6.46 million net present value savings. Ms. DeRose said Treasurer's staff and financial advisors had conference calls with all three rating agencies which included staff of the Office of Financial Management, Forecast Council and Department of Transportation to review the biennial budget proposals and the current forecasts. All three rating agencies affirmed the state's ratings for these refunding bonds. She said the state's next financial forecast and the final budget will be of significance on the ratings for the next bond sale in July.

Mr. Martin said seven bids were received and accepted electronically through Parity at 8:00 a.m. Pacific Time. US Bancorp Piper Jaffray submitted a true interest cost (TIC) of 2.8014070%; Merrill Lynch & Co. submitted a TIC of 2.8151694%; Banc of America Securities LLC submitted a TIC of 2.8256264%; J.P. Morgan Securities, Inc. submitted a TIC of 2.8329104%; Goldman, Sachs & Co. submitted a TIC of 2.8369772%; ABN AMRO Financial Services submitted a TIC of 2.8910728%; and Citigroup Global Markets, Inc. submitted a TIC of 2.9067607%, with the apparent low bidder being US Bancorp Piper Jaffray.

Mr. Martin presented proposed Resolution 975 to the committee.

Resolution No. 975 awards the sale of \$79,025,000, more or less, State of Washington Various Purpose General Obligation Refunding Bonds, Series R-2003C, authorized by Chapters 39.42 and 39.53 RCW and Resolution No. 945 of the Committee.

Lt. Governor Owen moved to adopt Resolution 975. Treasurer Murphy seconded the motion and the resolution was adopted.

Treasurer Murphy said there was an apparent winning bid on the securities to the escrow that was unexpectedly withdrawn. We are in the process of finding out what happened and are disappointed that it did.

Mr. Martin said Resolution No. 976 authorizes the issuance and sale of up to \$271,400,000 State of Washington Various Purpose General Obligation Bonds, Series 2004A, authorized by Chapter 14, Laws of 1989, 1st Ex. Sess.; Chapter 15, Laws of 1990, 1st Ex. Sess.; Chapter 380, Laws of 1999, Reg. Sess.; and Chapter 9, Laws of 2001 2<sup>nd</sup> Sp. Sess.; and Chapter 39.42 RCW for the purpose of providing funds to pay and reimburse the state for various state capital project expenditures; fixing the date, form, terms, maturities, redemption provisions and covenants of the bonds; providing for certain other provisions safeguarding the payment of the principal thereof and interest thereon; and authorizing and directing the sale of said bonds. The Series 2004A will be used to fund cash flow requirements for construction of state capital projects. Bond proceeds from this proposed

issue are to be deposited or transferred to the following funds: State Building Construction Account (fund 057), Higher Education Construction Account (fund 01L), State Vehicle Parking Account (fund 045), Outdoor Recreation Account (fund 070), State and Local Improvement Revolving Account--Water Supply Facilities (fund 072), Habitat Conservation Account (fund 244), and Capitol Historic District Construction Account (fund 350). The Series 2004A Bonds are proposed to be sold competitively on July 22, 2003. Treasurer Murphy asked if the Capitol Historic District Construction Account was for the remodeling of the Legislative Building and how much that fund would receive. Mr. Braseth said he did not know the exact amount. Treasurer Murphy said staff likes its temporary quarters, but he wanted to be sure the executive office moves back into the building in 2004.

Mr. Martin presented proposed Resolution 976 to the committee.

Resolution No. 976 authorizes the issuance and sale of up to \$271,400,000 State of Washington Various Purpose General Obligation Bonds, Series 2004A, authorized by Chapter 14, Laws of 1989, 1<sup>st</sup> Ex. Sess; Chapter 15, Laws of 1990, 1<sup>st</sup> Ex. Sess.; Chapter 380, Laws of 1999, Reg. Sess., Chapter 9, Laws of 2001, 2<sup>nd</sup> Sp. Sess.; and Chapter 39.42 RCW.

Lt. Governor Owen moved to adopt Resolution 976. Treasurer Murphy seconded the motion and the resolution was adopted.

Mr. Martin said Resolution No. 977 authorizes the issuance and sale of Motor Vehicle Fuel Tax General Obligation Bonds, Series 2004B, of the state, in the principal amount of not to exceed \$200,000,000, authorized by Ch. 321, Laws of 1998 (Referendum 49), (RCW 47.10.843); Ch. 431, Laws of 1993, as amended (RCW 47.10.812); Ch. 440, Laws of 1993, as amended, (RCW 47.26.500); and Ch. 147, Laws of 2003; and Motor Vehicle Fuel Tax General Obligation Bonds, Series 2004C, of the state, in the principal amount of \$110,000,000, more or less, authorized by Ch. 321, Laws of 1998 (Referendum 49), for the purpose of providing funds to pay and reimburse state expenditures for the location, design, right of way, and construction of state and local highway improvements; selected projects or improvements that are identified as transportation 2003 projects or improvements in the omnibus transportation budget; state highway improvements that are identified as special category C improvements; and to pay and reimburse the transportation improvement account; fixing the date, form, terms, maturities, redemption provisions and covenants of the bonds; providing for certain other provisions safeguarding the payment of the principal thereof and interest thereon. The Series 2004B Bonds are tax-exempt current interest bonds with interest paid semi-annually on the outstanding principal. The Series 2004B Bonds are structured to produce an approximate level debt service over the life of the Bonds. Mr. Martin said the Series 2004C Bonds are compound interest bonds with the interest paid only at maturity.

Treasurer Murphy said the Series 2004B Bonds were authorized in Chapter 147, Laws of 2003 and the recently enacted Transportation budget. We have heard a little rumble on the possibility of the revenue being legally challenged, if that happens, we will resize the Series 2004B Bonds to be consistent with the budget constraints. We know of no other controversy.

Mr. Martin presented proposed Resolution 977 to the committee.

Resolution No. 977 authorizes the issuance and sale of up to \$200,000,000 of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2004B, authorized by Chapter 321, Laws of 1998 (Referendum 49) (RCW 47.10.843), Chapter 431, Laws of 1993 (RCW 47.10.812); Chapter 440, Laws of 1993, as amended (RCW 47.26.500); Chapter 147, Laws of 2003; and Chapter 39.42 RCW; and approximately \$110,000,000 of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2004C, authorized by Chapter 321, Laws of 1998 (Referendum 49) (RCW 47.10.843), and Chapter 39.42 RCW.

Lt. Governor Owen moved to adopt Resolution 977. Treasurer Murphy seconded the motion and the resolution was adopted.

Ms. Wolgamot said Resolution No. 978 amends Resolution No. 947, of the State Finance Committee, to increase the authorized totals of University of Washington Certificates of Participation (Sand Point Project). The University of Washington received authorization from the Legislature to enter into financing contracts to renovate Building 5 and Building 29 at the Sand Point Campus for the 2001-03 biennium. Subsequently the State Finance Committee approved Resolution 947 on July 31, 2001 authorizing the financing of an amount not to exceed \$13,000,000 State of Washington Certificates of Participation, \$7,500,000 for Sand Point Building 5 Project and \$5,500,000 for Sand Point Building 29 Project. The State issued Certificates of Participation 2001D in the amount of \$3,565,000; and Certificates of Participation 2002E in the amount of \$2,685,000 for Sand Point Building 5. A \$4,850,000 Certificates of Participation, 2002A, was issued for Sand Point Building 29. The University of Washington has requested that the maximum authorization be increased to allow for financing expenses and required reserves, as stated and authorized in Washington Laws of 2001, 2<sup>nd</sup> Special Session, Chapter 8, Section 907 (9) (a) & (b). Treasurer Murphy said this modifies the earlier resolution to allow the University of Washington to spend the full amount.

Mr. Martin presented proposed Resolution 978 to the committee.

Resolution No. 978 amends Resolution No. 947 of the State Finance Committee, to increase the authorized totals of University of Washington Certificates of Participation (Sand Point Project).

Lt. Governor Owen moved to adopt Resolution 978. Treasurer Murphy seconded the motion and the resolution was adopted.

Ms. Wolgamot said Resolution No. 979 amends Resolution 974, Department of Ecology Building Refinance, to clearly define the refunding bid parameters. Resolution 974 provided that the *average interest rate* shall not exceed four and one-half percent (4.50%). Average interest rate was not defined, which has created confusion and, depending on interpretation, could affect the ability to set bidding parameters conducive to achieving the maximum savings in the current market. The primary criteria to proceed with the refunding remains unchanged, which includes

meeting the true interest cost limits set previously and meeting the net present value savings threshold set forth in the Debt Issuance Policy.

Mr. Martin presented proposed Resolution 979 to the committee.

Resolution No. 979 amends Resolution No. 974 of the State Finance Committee to eliminate the maximum average interest rate established by said resolution for the State of Washington Department of Ecology Refunding Certificates of Participation.

Lt. Governor Owen moved to adopt Resolution 979. Treasurer Murphy seconded the motion and the resolution was adopted.

Treasurer Murphy said he had the pleasure of attending Mr. Martin's graduation ceremony from Washington State University the previous weekend and congratulated Mr. Martin. Lt. Governor Owen congratulated Mr. Martin also.

There being nothing further to come before the committee, the meeting was adjourned at 10:22 a.m.

STATE FINANCE COMMITTEE  
STATE OF WASHINGTON

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Michael J. Murphy, State Treasurer & Chairman

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Gary Locke, Governor & Member

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Brad Owen, Lieutenant Governor & Member

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Allan J. Martin  
Deputy State Treasurer & Secretary